CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

# Online Advisor – December 2016

## Major Tax Deadlines
## For December 2016

* **December 15** - Due date for calendar-year corporations to pay the last installment of 2016 estimated income tax.

* **December 31 -** Deadline to complete 2016 tax-free gifts of up to $14,000 per recipient.

* **December 31** - Deadline for paying expenses you want to deduct on your 2016 income tax return.

**Note:** Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

**Payroll tax deposits:** Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of FICA taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe $100,000 or more on any day during a deposit period, if you owe $2,500 or less for the calendar quarter, or if your estimated annual liability is $1,000 or less.

* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.

* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.

# What's New in Taxes

## 2017 payroll deductions and what to expect

For 2017, the wage base for withholding social security tax from wages will increase to $127,200, up from $118,500 in 2016. The "wage base" is the amount of wages on which you and your employer must each pay the 6.2% social security tax. The increased wage base means an additional $8,700 of your income is taxed.

The wage base does not affect the 1.45% Medicare payroll tax. Medicare tax is assessed on all wages and net income from self-employment, including amounts above the base. The 0.9% Additional Medicare Tax is not affected either. That tax applies to your compensation in excess of $250,000 when you're married filing jointly ($200,000 when you're single).

What's the net result of these rules? Your employer will withhold a total of 7.65% of your gross wages for payroll taxes, based on the thresholds discussed here. In addition, federal income tax, state and local income tax, and some non-tax deductions such as retirement plan contributions may also be withheld from your gross wages. These withholdings will be itemized on your pay stub, and you can use them in your tax planning.

Need help understanding how to use your pay stub for tax planning purposes? Please contact us for more information.

## Year-end is a good time for gift planning

Are you ready for the gift-giving season? The time may already have arrived, at least from a tax perspective. Between now and December 31, you can take advantage of this year's gift tax rules as part of your year-end planning.

Here are two ways to transfer assets.

* The annual exclusion. The annual exclusion is the amount you can give to anyone, free of gift tax, each year. For 2016, the annual exclusion is $14,000. You and your spouse can combine your individual annual exclusions and make gifts of up to $28,000 to a single recipient.

Some gifts have special rules. For instance, education and medical expenses that you pay directly to the respective providers do not reduce your annual exclusion.

As the name suggests, the annual exclusion is a use-or-lose tax break that expires on December 31 of each year. For 2017, the annual exclusion remains $14,000.

* The lifetime exemption. The lifetime exemption is the total amount you can give away during your lifetime without paying gift tax. For 2016, the lifetime exemption is $5,450,000. When you're married, you can double the exemption, to a maximum of $10,900,000. Note that the lifetime exemption is "unified" with the estate tax exemption. That means the amount you use for gifting will reduce your estate tax exemption.

Gift-giving is a valuable estate planning tool. Please call to schedule an appointment for discussing these or other types of giving, including charitable gifts and gifts made in trust.

# New Business

## Be aware of changes to information form filing deadlines

If you pay non-employee compensation to independent contractors, or are required to report health insurance coverage enrollment or offers to your employees, be aware of earlier due dates for two common 2016 tax forms.

1. Form 1099-MISC, “Miscellaneous Income”  When you report nonemployee compensation payments in box 7 of Form 1099-MISC, the 2016 form is due to the independent contractor, and the IRS, by January 31, 2017. That's true whether you file on paper or electronically. The regular due dates (January 31 to the recipient, February 28 to the IRS for paper copies, and March 31 if filing electronically) apply to other types of Form 1099.

2. Form 1095-B, “Health Coverage”  When you're an applicable large employer (generally, when you employ 50 or more full-time workers and equivalents), you're required to provide information about health coverage to the IRS and to your employees.  The IRS granted an extension of the date the 2016 forms are due to your employees. Instead of being due January 31, these forms are now due March 2, 2017. There is no change to the February 28, 2017, due date for filing paper forms with the IRS, nor the March 31, 2017, due date for filing electronically.

Contact us if you need more information.

# Last minute business tax moves to complete in December

2016 is winding down, but you still have time to wrap up business tax strategies before December 31. Here are five to put on your list.

* Make capital contributions. When you have losses in your Subchapter S corporation, the amount you can deduct on your personal tax return may be restricted. That's because losses are limited to your basis, which includes your investment in the business stock and certain loans. Injecting capital or making a direct loan to your business before year-end can increase your basis and keep your losses deductible.

* Review inventory. Remove obsolete, unsalable, or damaged items to reduce your year-end inventory balance. Donating inventory to qualified charities may result in an enhanced deduction.

* Establish a retirement plan. December 31 is the last day to set up certain retirement plans in order to take a deduction on your 2016 return. What if you like the idea but will be a little short of cash this month? In some cases, you can wait until the due date of your tax return, including extensions, to make the actual contribution – and still claim a deduction in the current year.

* Update corporate minutes. Document the reasons for business decisions, such as why you chose a salary level, or your approval of an expense reimbursement plan..

* Put assets to work. In order to claim depreciation deductions for assets you purchased during 2016, the assets must be "placed in service" by the end of the year. What does "placed in service" mean? The rules say assets are considered placed in service when the assets are ready and available to be used for a specifically assigned function. The exact date can differ depending on the asset. Contact us for more information.

# What's New in Finances

## Avoid phony charities this holiday season

Are you planning to make donations to charitable organizations as part of your holiday celebrations? Be aware of fake charities set up by scam artists. This type of fraud routinely lands on the "Dirty Dozen" list of tax scams prepared each year by the IRS.

Here are two simple tips to protect yourself.

* “Don't be fooled by names that sound like established charities but really aren't.” The IRS maintains a searchable list of qualified charities on the official irs.gov website.

* “Make donations by check and spell out the full name of the payee instead of using initials.” In addition to providing documentation for deducting your contribution, writing a check avoids the need to supply your credit card data, favored information for thieves who want steal your identity.

## Five financial resolutions to make for 2017

Is achieving financial independence a goal for 2017? Here are five suggestions that can help.

1. Review your expenses. Get ready for the new year by taking inventory of your finances. Set up a free app, a spreadsheet, or a pencil-and-paper notebook, and start tracking your expenses. You may be surprised at the result. Getting a handle on how cash actually flows through your bank account can be a great motivator.

2. Build an emergency fund. Are you currently financing your "rainy days" with expensive credit card debt? Use your expense review to determine where you can save cash to set aside in an easy-to-access emergency fund. Ask your employer if you can allocate paycheck deposits into more than one bank account. Then pick an account, designate it as your emergency fund, and start socking money away. Strive to accumulate a balance that will cover three to six months of living expenses.

3. Save automatically. Have your retirement savings deposited directly into your retirement account. If your employer offers to "match" contributions to a 401(k) plan, be sure to take full advantage. Matching amounts are dollars your employer will put in your account to "match" a certain amount of the money you contribute. The "match" is not taxable to you until you withdraw the money.

4. Pay down debts. Don't be naïve about the cost of credit. Pay off high-interest cards first, and consider consolidating your debt onto one low interest rate card. Alternatively, you could choose the card with the lowest balance to pay off first so that you'll get a quick sense of accomplishment and be inspired to continue. By whittling away your debt, you'll cut your overall interest costs and enjoy more financial flexibility in the future.

5. Treat yourself. To stay motivated, budget "fun money" into the mix. Reward yourself with the occasional expense that brings joy, such as a meal at a nice restaurant or a weekend get-away. Another morale booster: Coming up with creative ways to save money by switching to less expensive versions of indulgences, such as home-brewed specialty coffee instead of buying the prepared version at a coffee house.

Financial independence does not mean financial sacrifice or painful deprivation. Instead, the idea is to make your money work for you, so you can have more time to live your life as you choose.